Supreme Court, U.S.
FILED

(1)

No. 95-551 OCT 3 - 1995

OFFICE OF THE CLERK

IN THE
Supreme Court of the United States
OCTOBER TERM, 1995

SEARS ROEBUCK & CO.,
Petitioner,

v.

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,
Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

PETITION FOR WRIT OF CERTIORARI

Of Counsel:

JAMES VANR. SPRINGER
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.

WILLIAM L. ANDROLIA
KODA & ANDROLIA
1880 Century Park East
Los Angeles, California 90067
(310) 277-1391

GARY M. HOFFMAN
(Counsel of Record)
CHARLES W. SABER
GABRIELLE S. ROTH
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700
Attorneys for Petitioner
Sears Roebuck & Co.

October 1995

WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

QUESTION PRESENTED

Whether a consensual vacatur of a judgment, pursuant to a settlement reached while the judgment is on appeal, invariably frees the losing party to relitigate claims of intellectual property protection that were rejected after full and fair litigation, and thereby forecloses any consideration in the subsequent case whether equitable or other considerations warrant preclusion of such relitigation.

PARTIES BELOW

In addition to the parties listed in the caption, Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi") was also a defendant in the District Court and a party in the Court of Appeals. Izumi was not, however, named as a party to the trade dress infringement claim that is the subject of this Petition. Izumi has filed a separate petition for a writ of certiorari (No. 95-518) raising questions regarding its counterclaim, to which the present Petitioner is not a party. This Petition is nonetheless being served upon Izumi.

STATEMENT PURSUANT TO RULE 29.1

The parents, subsidiaries and affiliates of Petitioner Sears Roebuck & Co., other than wholly owned subsidiaries, are as follows:

168886 Canada Inc.; 169281 Canada Inc.; 169282 Canada Inc.; 173470 Canada Inc.; 2840251 Canada Limited; American Pioneer Title Insurance Co.; Bay City Mall Associates; Boulevard Consumer Credit Services Inc.; Boulevard Insurance Company (Barbados) Limited; Boulevard Printing Service Inc.; Centennial Valley Business Park Property Owners' Association; Gateway Property Owners' Association; Homart Management Co.—Arizona; Homart Management Co.—Florida; Homart Management Co.—Hawaii; Homart Management Co.—Kentucky; HO Retail Properties I; HO Retail Properties II; Karelian Timber Associates, Ltd.; Kingsway Imports Ltd.; MaxServ, Inc.; NorthPoint Mall Limited Partnership; Pembroke Lakes Mall Ltd.; PMI Mortgage Insurance Co.; PMI Reinsurance Co.; PMI Securities Co.; Quetor Realty Limited; Sears (1978) Limited; Sears Acceptance Company Inc.; Sears Canada Inc.; Sears Holdings Limited; Sears Limited; Sears, Roebuck de Mexico, S.A. de C.V. (Mexico); Sears, Roebuck Pty. Limited (Australia); Sears World Trade Comercial Limitada; S.L.H. Transport Inc.; ST Holdings, Inc.; St. Laurent Shopping Centre Limited; Truswal Systems Corporation; Truswal Systems of Canada, Ltd.; Vantor Realty Limited; and XYZ Consultoria de Negocios, Ltd.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
PARTIES BELOW	ii
STATEMENT PURSUANT TO RULE 29.1	ii
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	2
STATEMENT	2
The Pre-Vacatur Proceedings On Philips' Successive Trade Dress Claims	3
The Vacatur Of The Prior Judgment And Its Fall-out Below	5
REASONS FOR GRANTING THE PETITION	6
I. THE COURT OF APPEALS' REFUSAL EVEN TO CONSIDER GIVING PRECLUSIVE EFFECT TO A JUDGMENT IMPROPERLY VACATED PURSUANT TO A SETTLEMENT RAISES AN IMPORTANT QUESTION THAT SHOULD BE SETTLED BY THIS COURT, PARTICULARLY IN THE CONTEXT OF INTELLECTUAL PROPERTY RIGHTS	6
II. THE DECISION BELOW CONFLICTS WITH THE NINTH CIRCUIT'S WILLINGNESS TO REVISIT A SETTLEMENT VACATUR IN SUBSEQUENT LITIGATION TO CONSIDER WHETHER THERE SHOULD NONETHELESS BE COLLATERAL ESTOPPEL	11
CONCLUSION	13

TABLE OF AUTHORITIES

Cases: Page

Alexander v. Perrill, 872 F. Supp. 722 (D. Ariz. 1995) 8
Bates v. Union Oil Co., 944 F.2d 647 (9th Cir. 1991), *cert. denied*, 112 S. Ct. 1761 (1992) 11, 12
Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971) 10, 11
Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989) 10
Cardinal Chem. Co. v. Morton Int'l, Inc., 113 S. Ct. 1967 (1993) 9
Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964) 9
Dyncorp v. O'Leary, No. 94-1493, 1995 U.S. App. LEXIS 449 (Fed. Cir. Jan. 4, 1995) 8
Herr v. Tandy Corp., No. 94-56235, 1995 U.S. App. LEXIS 15555 (9th Cir. June 20, 1995) 8
Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Philips Corp., 114 S. Ct. 425 (1993) (per curiam) ..... *passim*
Local Union No. 34, IBEW v. Bazzano, No. 94-2772, 1994 U.S. App. LEXIS 36039 (7th Cir. Dec. 20, 1994) 8
Montana v. United States, 440 U.S. 147 (1979) 9
Motta v. District Director of INS, 61 F.3d 117 (1st Cir. 1995) 8
Nahrebeski v. Cincinnati Milacron Mktg. Co., 41 F.3d 1221 (8th Cir. 1994) 8
U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership, 115 S. Ct. 386 (1994) ..... *passim*
U.S. Philips Corp. v. Windmere Corp., 971 F.2d 728 (Fed. Cir. 1992) 5
Whitney Benefits, Inc. v. United States, No. 94-5129, 1995 U.S. App. LEXIS 11902 (Fed. Cir. May 11, 1995) 8
Zeneca Ltd. v. Novopharm Ltd., Civ. Action No. Y-95-163 (D. Md.) 10

TABLE OF AUTHORITIES—Continued

Statutes & Rules: Page

28 U.S.C. § 1254(1) 2
28 U.S.C. § 1292(b) 6
28 U.S.C. § 1338 4
Fed. R. Civ. P. 60(b) 9

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

No. 95-———

SEARS ROEBUCK & CO.,

Petitioner,

v.

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

PETITION FOR WRIT OF CERTIORARI

Sears Roebuck & Co. ("Sears") petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit insofar as it affirmed the District Court's order vacating its prior grant of summary judgment against Philips'[1] trade dress infringement claim.

OPINIONS BELOW

The opinion of the Court of Appeals (App. A, 1a-18a) is reported at 55 F.3d 592. The opinion of the District Court for the Northern District of Illinois reinstating

---

[1] The three Respondents are affiliated companies whose individual roles are immaterial for present purposes. We refer to them collectively as "Philips".

Philips' trade dress claim (App. B, 19a-28a) is unreported.[2]

JURISDICTION

The judgment of the Court of Appeals was entered on May 10, 1995. A timely petition for rehearing and suggestion for rehearing in banc was denied on July 6, 1995. (App. C, 29a-30a). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATEMENT

In *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 115 S. Ct. 386, 393 (1994), this Court held that, absent exceptional circumstances, a settlement reached while a district court judgment is on appeal should not result in vacatur of the district court judgment. It thereby rejected the practice previously followed by the Court of Appeals for the Federal Circuit, which was to enter such vacaturs routinely.

This Petition involves a district court judgment vacated by the Federal Circuit under its pre-*U.S. Bancorp* practice. Two Terms ago, this Court granted certiorari to review the propriety of this very same vacatur, but dismissed the writ as improvidently granted because of an issue as to the standing of the petitioner there in view of the fact that it was not a named party to the district court judgment. *Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Philips Corp.*, 114 S. Ct. 425 (1993) (per curiam) ("*Izumi v. Philips*"). Justice Stevens (joined by Justice Blackmun) would have reached the vacatur issue and reversed the Federal Circuit, *see id.* at 428, and that dissent was relied on in the unanimous *U.S. Bancorp* opinion, 115 S. Ct. at 392.

The present Petitioner Sears (which was not a party in any of the prior proceedings) has been sued by Philips

---

[2] Only pages 20a-27a of Appendix B pertain to the order that is the subject of this Petition.

on the same trade dress protection theory that was rejected in the judgment vacated by the Federal Circuit. The courts below have ruled, however, that the vacatur order automatically and categorically protects Philips from any collateral estoppel defense because it finally obliterated the previous judgment. In seeking review of that ruling, this Petition raises the question whether there is any sound reason to foreclose Sears from challenging Philips' relitigation of intellectual property claims that were rejected in the fully litigated district court judgment that would have been restored in *Izumi v. Philips* if that case had not been aborted.[3]

The Pre-Vacatur Proceedings On Philips' Successive Trade Dress Claims

In October 1984, Philips sued Windmere Corporation, a distributor of rotary electric shavers manufactured by Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi"), in the Southern District of Florida alleging, among other claims, that Windmere was guilty of trade dress infringement. Philips' trade dress claim alleged that the design of the rotary shavers manufactured by Izumi was unlawfully copied from that of Philips' Norelco rotary shavers. Although Izumi was not sued on this trade dress claim, it paid for Windmere's defense pursuant to an indemnity agreement and appeared at the trial. The Florida case also involved patent claims against Windmere and Izumi, as well as an antitrust counterclaim by Windmere against Philips, which this Petition does not address.

The Florida court entered judgment rejecting Philips' trade dress claim in May 1990. By special interrogatories, the jury found that Philips had failed to establish that its trade dress was non-functional, that Philips' trade dress

---

[3] The question whether this vacatur order could be challenged in the present subsequent case was discussed at the oral argument in *Izumi v. Philips* but was not touched on in the per curiam opinion dismissing the writ.

had not achieved secondary meaning, that the trade dress of the rotary shavers manufactured by Izumi was not likely to be confused with Philips' trade dress, and hence that Philips did not possess any trade dress rights against Izumi rotary shavers. Additionally, Windmere was awarded almost $90 million in trebled damages, plus attorneys' fees, interest and costs, on its antitrust counterclaim.[4]

In the meantime, Philips had filed the present action in the Northern District of Illinois, raising similar claims with respect to Izumi rotary shavers sold by Sears. This action includes a trade dress claim substantially identical to that asserted against Windmere in Florida. Here, as there, Izumi has paid for the defense of the trade dress claim against its distributor under an indemnity arrangement.

Because Philips' claim to trade dress protection had been rejected after full and fair litigation in the Windmere case in Florida, the Illinois District Court entered summary judgment in October 1990, dismissing the trade dress claim against Sears on collateral estoppel grounds. (App. D, 37a-39a).[5]

---

[4] The trade dress and antitrust issues had been retried in 1990 because (1) the Florida judge granted Philips a new trial on the trade dress claim (after an initial verdict in Windmere's favor) to consider evidence which previously had not been disclosed in discovery, and (2) the Federal Circuit reversed the Florida court's initial grant of a directed verdict against Windmere's antitrust counterclaim. At the initial 1986 trial, Philips obtained a judgment of $6,500 for non-willful patent infringement, from which Izumi and Windmere did not bother to appeal.

[5] The Illinois case also involves patent claims against Sears and Izumi and an antitrust claim by Izumi against Philips, none of which is involved in this Petition. As previously noted, Izumi has filed a petition relating to that counterclaim. The jurisdiction of the District Court over the trade dress claim was based upon 28 U.S.C. § 1338.

The Vacatur Of The Prior Judgment And Its Fallout Below

In September 1991, following unsuccessful post-trial motions in Florida, Philips filed a notice of appeal to the Federal Circuit from both the trade dress judgment and the antitrust judgment which had been entered in favor of Windmere. Thereafter, Philips and Windmere agreed upon a settlement under which Philips paid Windmere $57 million and Windmere joined Philips in a motion requesting the Federal Circuit to vacate the judgment denying trade dress relief as well as the judgment awarding damages to Windmere.[6]

Izumi attempted to intervene to oppose the joint vacatur motion filed by Philips and Windmere, but the Federal Circuit held that Izumi had no standing because it was not a named party to the appealed claims and its status as indemnitor on the trade dress claims was not sufficient. The Federal Circuit then granted the joint motion and ordered that the judgments be vacated without further inquiry because all the named parties were in favor of vacatur. *U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728, 731 (Fed. Cir. 1992). As previously noted, this Court granted certiorari to consider the propriety of this vacatur in *Izumi v. Philips,* but dismissed the writ on the ground that there was an issue as to standing which Izumi's certiorari petition had not adequately raised.

Philips immediately brought the Federal Circuit's vacatur of the Florida trade dress judgment to the Illinois District Court's attention and sought reinstatement of its trade dress claim against Sears. The District Court agreed that the vacatur had deprived the Florida judgment of any preclusive effect, and therefore vacated its summary judgment, freeing Philips to proceed with the same trade dress claim that had been rejected in Florida. (App. B, 20a-27a). The District Court, however, certified its reinstate-

[6] The settlement was not, however, conditioned on actual grant of the vacatur motion.

ment order for appeal pursuant to 28 U.S.C. § 1292(b), (App. E, 40a-42a), and the Federal Circuit accepted the appeal of this and another issue not involved in the present Petition. (App. F, 43a-46a). The Federal Circuit noted at that time that "there are conflicting circuit views about these issues." (*Id.* at 45a).

After a stay pending the aborted *Izumi v. Philips* proceedings in this Court and a further interval during which this Court decided *U.S. Bancorp*, the Federal Circuit affirmed the District Court's decision that the trade dress judgment resulting from the Florida trial could have no collateral estoppel effect. While assuming that the vacatur of that judgment had been improper in the light of *U.S. Bancorp*, the Court of Appeals held that the vacatur was a *fait accompli*, that vacatur has the automatic and invariable effect of wiping out any possibility of collateral estoppel, and that there are no circumstances where the possibility of preclusive effect from a vacated judgment could be considered in a subsequent case. (App. A, 11a-13a).

REASONS FOR GRANTING THE PETITION

I. THE COURT OF APPEALS' REFUSAL EVEN TO CONSIDER GIVING PRECLUSIVE EFFECT TO A JUDGMENT IMPROPERLY VACATED PURSUANT TO A SETTLEMENT RAISES AN IMPORTANT QUESTION THAT SHOULD BE SETTLED BY THIS COURT, PARTICULARLY IN THE CONTEXT OF INTELLECTUAL PROPERTY RIGHTS.

U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership involved the question whether a consensual vacatur should be entered by an appellate court in the first instance. It did not deal with the more practically important question whether the propriety of such a vacatur and the effect it should be given can be considered at the only time when it would typically make any difference—in subsequent litigation where the preclusive impact of the

earlier judgment is in issue. This Petition raises that question.

U.S. Bancorp's holding that vacatur by reason of settlement is improper absent "exceptional circumstances" rests on the policy that " '[j]udicial precedents are presumptively correct and valuable to the legal community as a whole. They are not merely the property of private litigants . . . .' " 115 S. Ct. at 392 (quoting, indeed, from Justice Stevens' dissent in *Izumi v. Philips*, 114 S. Ct. at 428). *U.S. Bancorp* concludes with the general principle that a party who "has voluntarily forfeited his legal remedy by the ordinary processes of appeal or certiorari" has thereby surrendered any claim to be relieved of the effects of the judgment against him through vacatur. *Id.*

If the policy expressed in *U.S. Bancorp* is to have the intended practical significance, it must be enforceable in subsequent litigation where, as here, the question of the effect to be given to the prior judgment becomes an issue. *U.S. Bancorp* was the unusual case where—as a result of this Court's specific directive—there was an adversarial presentation of the vacatur issue in the first instance. The situation here is the more typical one where the financial beneficiary of the settlement has agreed to vacatur because it has no interest in preserving the judgment as such, and the vacating court has heard no argument in opposition.[7] Thus, the subsequent lawsuit will ordinarily, as here, provide the only real opportunity for meaningful litigation of the issue whether or not the settled judgment

---

[7] The recipient of the settlement would argue the point only in the rare instance where some ongoing dispute on the same subject matter would be foreseeable. Indeed, it is not difficult to imagine situations where the recipient of the settlement would have an affirmative interest in denying its competitors any benefit from its own victory. A party who has made his peace with the holder of a patent or other intellectual property claims would often be delighted to have his competitors hampered by infringement litigation.

should have preclusive effect. If, as the Court of Appeals held, an unopposed entry of a vacatur in the first lawsuit categorically forecloses that opportunity, then the policies espoused in *U.S. Bancorp* will be at risk of being ignored by default.[8]

This is not merely an issue as to the effect of pre-*U.S. Bancorp* vacaturs. Notwithstanding its disapproval of routine grants of settlement vacaturs, *U.S. Bancorp* left room for them in "exceptional circumstances." 115 S. Ct. at 393. As the opinion below noted, Philips has contended in this very case that there were such "extraordinary circumstances" relating to the trade dress judgment it lost in Florida. (App. A, 11a). Settling parties in other cases are already making similar arguments, and not without success.[9] Thus, the need to allow meaningful challenges to the effect of vacatur orders will continue indefinitely.[10]

---

[8] In view of the dismissal of the writ in *Izumi v. Philips*, the Federal Circuit's unwillingness to allow intervention by a nonparty to challenge a vacatur motion stands. In any event, there are likely to be relatively few situations where a party ultimately affected in subsequent litigation would have known of the vacatur motion in the prior case and been in a position to argue against it.

[9] Several courts have already found justifications for settlement vacaturs notwithstanding *U.S. Bancorp*, based on consensual presentations by the settling parties. *See Motta v. District Director of INS*, 61 F.3d 117 (1st Cir. 1995); *Local Union No. 34, IBEW v. Bazzano*, No. 94-2772, 1994 U.S. App. LEXIS 36039 (7th Cir. Dec. 20, 1994); *Alexander v. Perrill*, 872 F. Supp. 722 (D. Ariz. 1995). In other instances, courts of appeals have referred the question to the original tribunal to consider the settling parties' views as to whether its judgment should be vacated notwithstanding the general rule of *U.S. Bancorp*. *See, e.g., Herr v. Tandy Corp.*, No. 94-56235, 1995 U.S. App. LEXIS 15555 (9th Cir. June 20, 1995); *Whitney Benefits, Inc. v. United States*, No. 94-5129, 1995 U.S. App. LEXIS 11902 (Fed. Cir. May 11, 1995); *Dyncorp v. O'Leary*, No. 94-1493, 1995 U.S. App. LEXIS 449 (Fed. Cir. Jan. 4, 1995); *Nahrebeski v. Cincinnati Milacron Mktg. Co.*, 41 F.3d 1221 (8th Cir. 1994).

[10] The opinion below missed the point in its simplistic reasoning that the issue was closed when the prior case ended because a "final judgment is not voided if the precedent upon which it was

The fundamental purpose of modern collateral estoppel, which "preclude[s] parties from contesting matters that they have had a full and fair opportunity to litigate," is to "protect[] their adversaries from the expense and vexation attending multiple lawsuits, conserve[] judicial resources, and foster[] reliance on judicial action by minimizing the possibility of inconsistent decisions." *Montana v. United States*, 440 U.S. 147, 153-54 (1979). This Court has recently emphasized the particular importance of collateral estoppel in intellectual property cases like the present one, noting "the wasteful consequences of relitigating the validity of a patent after it has once been held invalid in a fair trial" and additionally "the danger that the opportunity to relitigate might, as a practical matter, grant monopoly privileges to the holders of invalid patents." *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 113 S. Ct. 1967, 1977 (1993).

The present case exemplifies the anticompetitive tendency —plainly intended by Philips in obtaining vacatur—of allowing relitigation of rejected claims of intellectual property protection. The vacated Florida judgment determined that Philips' trade dress is legally functional and therefore unprotectable. Just as competitors are free to copy inventions as to which there is no valid patent claim,[11] so

---

based is later modified or overruled." (App. A, 11a). Petitioner is not contending in the present case that the vacatur in the Florida case was void or should be reversed; that relief, if appropriate, can be awarded in an independent proceeding under Fed. R. Civ. P. 60(b), an option which is also being pursued. Petitioner makes the very different contention that the Florida judgment should be given collateral estoppel effect in this subsequent case, *notwithstanding* the fact that the vacatur stands in the prior Florida case, in order to carry out the policy adopted in *U.S. Bancorp.* Such relief will be based on the irreversible historical fact that there was a full and fair trial leading to the Florida judgment, not on the technical status of that judgment in the former case.

[11] *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237-38 (1964).

also unpatented designs that are legally functional fall in the public domain, and any and all competitors may use them. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152-53 (1989). The effect of the Florida judgment, unless reversed (as it was not) should, therefore, be to eliminate any trade dress impediment to free competition from Izumi rotary shavers, whether sold by Windmere (the party sued there) or by Sears (the party sued here on exactly the same theory). The decision below, however, has precisely the opposite effect, and therefore is inconsistent both with the general policy of modern rules of issue preclusion and with its particular application to intellectual property claims.[12]

Here, as in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), a rigid interpretation of traditional legal doctrine would impede competition by allowing repetition of intellectual property claims that have been fully and fairly determined to be unfounded. There, this Court held that the traditional requirement of "mutuality of estoppel" must give way. *Id.* at 350. Here, the question is whether the Federal Circuit's notion about the inexorable "finality" of its consensual vacatur order permits Philips to enhance its

---

[12] As a result of the Federal Circuit's now-discredited past practice of routinely vacating judgments where the parties settled, it is likely that many holders of intellectual property previously found invalid remain free to repeat their efforts to prevent competitive use or to extract undeserved royalty payments. One example that has come to our attention is *Zeneca Ltd. v. Novopharm Ltd.*, Civ. Action No. Y-95-163 (D. Md.), where the plaintiff is suing for a second time on a pharmaceutical patent which earlier litigation found unenforceable due to inequitable conduct. The earlier litigation ended with a settlement on appeal, in which $21 million was paid on condition that the alleged infringer join in a motion to vacate the judgment of unenforceability. There, as here, the Federal Circuit granted a routine vacatur, leaving the unsuccessful patent holder free to use the courts to impede competition in a pharmaceutical market involving hundreds of millions of dollars of annual sales.

entrenched economic power by a similar repetitive intellectual property claim. Here, as there, this Court should grant certiorari to establish that the solution is well within "the lower courts' ability and facility in dealing with questions of when it is appropriate and fair to impose an estoppel against a party who has already litigated an issue once and lost." *Id.* at 349.

II. THE DECISION BELOW CONFLICTS WITH THE NINTH CIRCUIT'S WILLINGNESS TO REVISIT A SETTLEMENT VACATUR IN SUBSEQUENT LITIGATION TO CONSIDER WHETHER THERE SHOULD NONETHELESS BE COLLATERAL ESTOPPEL.

The holding below, that any final vacatur order resulting from a settlement on appeal categorically forecloses any possible collateral estoppel, conflicts with the Ninth Circuit's decision in *Bates v. Union Oil Co.*, 944 F.2d 647 (9th Cir. 1991), *cert. denied*, 112 S. Ct. 1761 (1992). In *Bates*, a judgment for plaintiffs in the prior case had been vacated by the district court pursuant to their settlement on appeal. Another group of plaintiffs brought a similar claim, and contended that the prior judgment should have collateral estoppel effect in the subsequent case notwithstanding the vacatur. The Ninth Circuit agreed that "the [prior] judgment did not lose preclusive effect simply because it was vacated." *Id.* at 650. In view of the fact that the first district court had failed to weigh the equitable factors pertinent to determination whether the prior judgment should have continuing effect, those factors "were properly considered by the district court when, in this [subsequent] case, it confronted the question of the preclusive effect of the vacated judgment." *Id.*

The Ninth Circuit thus agrees with Petitioner's position here, that the subsequent court may consider the appropriateness of collateral estoppel notwithstanding vacatur by the prior court, at least where (as in both

cases) there was no such consideration at the time of the vacatur. Indeed, *Bates* went on to uphold the second court's decision that under all the circumstances, and notwithstanding the earlier vacatur, "relitigation of the liability and punitive damage issues in this case 'after a full and fair jury trial' of those same issues in [the first case] would be a waste of judicial resources." *Id.*

The balance of the equities in the present case is equally clear. At Izumi's expense, Windmere defeated Philips' trade dress claims seeking to keep Izumi-manufactured rotary shavers out of the market. The Florida jury found that Philips had failed to prove that its trade dress was non-functional and thus that Philips had no protectable property rights. Unless successfully challenged on appeal—as it was not by Philips' choice—this full and fair litigation of the issues gave Izumi and its other distributors, including Sears, every right to certainty that Izumi shavers could be sold in competition with Philips without legal interference. It would be both unfair and wasteful to require Sears (and its indemnitor Izumi) to repeat the expense and other burdens of making the same defenses all over again simply because Philips had the wherewithal to buy the Florida judgment back from Windmere for $57 million. Similar inequity and waste will recur unless this Court grants certiorari to establish that the appropriateness of issue preclusion may be considered in subsequent litigation.

The history of the Philips-Izumi-Windmere-Sears rotary shaver litigation makes the equities here even more poignant. But for the obstacles to Izumi's effort to intervene in order to challenge the Federal Circuit's vacatur order, the present problem would never have occurred. This Court would have reversed the vacatur order in *Izumi v. Philips* (as required by the principle soon announced in *U.S. Bancorp*), and the trade dress issue would long since have been resolved in favor of Sears-brand Izumi rotary shavers as well as those sold by Windmere. It is par-

ticularly inequitable for the Federal Circuit now to hold that Sears and Izumi are categorically foreclosed by the finality of a vacatur order that the Federal Circuit categorically prohibited them from challenging.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

GARY M. HOFFMAN
(Counsel of Record)
CHARLES W. SABER
GABRIELLE S. ROTH
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.
2101 L Street, N.W.
Washington, D.C. 20037
(202) 785-9700
Attorneys for Petitioner
Sears Roebuck & Co.

Of Counsel:

JAMES VANR. SPRINGER
DICKSTEIN, SHAPIRO
& MORIN, L.L.P.

WILLIAM L. ANDROLIA
KODA & ANDROLIA
1880 Century Park East
Los Angeles, California 90067
(310) 277-1391

October 1995